Hammond


County of Los Angeles
**CHIEF ADMINISTRATIVE OFFICE**
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DAVID E. JANSSEN
Chief Administrative Officer




August 9, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF RELATED COMPANIES' GRAND AVENUE IMPLEMENTATION PLAN (FIRST DISTRICT AFFECTED) (3 VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Find that the approval of the recommended action is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) and Section 15362 of the State CEQA Guidelines.

2. Approve, upon the terms discussed herein, the Grand Avenue Implementation Plan, as submitted by the Related Companies, L.P. and approved by the Grand Avenue Authority (Authority), as the framework for the development of two County-owned parcels in the vicinity of Grand Avenue and First Street in Los Angeles, as well as other nearby parcels, development of the County Mall into a Civic Park, and streetscape improvements along Grand Avenue.

## PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The recommended action involves the approval of an Implementation Plan (Plan—its Executive Summary and Term Sheet are included as Attachments I and II), which will be subject to further review and will be formally documented through a Disposition and Development Agreement (DDA), Ground Leases and environmental documentation that will be submitted for your Board's approval or disapproval at a future date. County approval of the Grand Avenue Implementation Plan is required to set the framework for the Grand Avenue Authority to negotiate the DDA and Ground Leases with the Related

Companies, L.P., the selected developer for the Grand Avenue Project, and for the terms of the County's ground leases to the Authority related to the project. Approval of the Implementation Plan will not bind the County or the developer to any of the financial terms outlined in the plan. Further, **the County's approval of the Plan is contingent upon no obligation being assumed by the County without its express approval as part of the DDA/Ground Lease package.**

Terms of Approval

The following terms condition the County's approval of the Implementation Plan. While they do not affect the Implementation Plan itself, their achievement will be required before the County approves the next steps in the Grand Avenue Project.

- The CAO will ensure that passthrough from the Community Redevelopment Agency of the City of Los Angeles (CRA) to the County of the County's share of the tax increment from the County's parcels is preserved, as provided for in the Owner Participation Agreement (OPA) between the County and the CRA, which your Board adopted on February 26, 1991, and as reaffirmed in the Joint Exercise of Powers Agreement (JPA Agreement) establishing the Grand Avenue Authority, adopted by your Board on September 2, 2003. The CAO will further ensure that this passthrough will remain in effect notwithstanding any future agreement regarding the Bunker Hill Redevelopment Project Area.

- The CAO will obtain the agreement of the Grand Avenue Authority, the CRA and the City of Los Angeles (City) that the County will not be required to make its property available for leasing to the Authority until the developer is ready to commence construction of that phase of the planned project. The JPA Agreement did not contemplate the phased development outlined in the Implementation Plan. The County's Parcels Q (currently used as Parking Lot 17) and W-2 (currently used as Parking Lot 26) are proposed to be developed in Phase 1 and Phase 3, respectively. Parcel W-2 may not be needed for Phase 3 for a number of years and, in the meantime, the County may continue to use W-2 for its own purposes.

- The CAO will document the agreement with the Grand Avenue Authority, the CRA and the City that the Authority will not enter into any financing arrangement without the consent of the County. No financing by the Authority is contemplated at this time.

- The CAO will ensure that the DDA and Ground Leases include terms that clearly time-limit the developer's right to develop the County's Parcel W-2, and that require specific County authority to be obtained before any extension of the time contemplated in the Implementation Plan is granted, so that at a specified future date, in the event that Phase 3 of the proposed project is not commenced, all development rights or claims to Parcel W-2, either by the developer or by the Authority, will terminate and the County may use or develop Parcel W-2 for its own purposes.

- The CAO will clarify with the Grand Avenue Authority that, included in the Phase 3 option to construct a civic office building, the County will retain the discretion to direct that Phase 3 include a replacement facility for County offices in the Kenneth Hahn Hall of Administration at a scope and cost satisfactory to the County.

- The CAO will clarify with the Grand Avenue Authority that, while the Authority may act as agent for the County to redevelop the Park Property in a manner consistent with the Conceptual Plan, the County will retain the right to approve the design and development of the Civic Park.

If the CAO is unable to satisfactorily achieve the above-described terms, we will return to your Board for further direction.

<u>Owner Participation Agreement</u>

In 1991, the County and the CRA entered into an OPA which provided for the development of the County-owned parcels (K, Q and W-2) located within the Bunker Hill Redevelopment Project Area. Parcel K has since been developed with the Walt Disney Concert Hall and the OPA was amended with a specific Implementation Plan to make it consistent with the final plan for Parcel K. Similarly, the basic provisions of the OPA are expected to govern the development of Parcels Q and W-2; to the extent the final plan of development differs from the OPA, the OPA will need to be amended to conform to the approved plan of development.

In general, the OPA provides for the land-use entitlements for between 1.5 and 1.8 million square feet of commercial uses and for the County or its developer to be responsible for conventional infrastructure requirements necessary for such a development. In addition, the OPA requires the County, if requested by the CRA, to dedicate a right-of-way easement for an extension of Second Street along the southerly boundary of Parcel Q, and to build or cause to be built the Second Street extension between Olive Street and Grand Avenue. On August 3, 2004, your Board dedicated the right-of-way upon the CRA's request and representation that the CRA would construct the extension, using Federal funds and other funds available to the CRA.

As part of the OPA, the County negotiated the right to be reimbursed by the CRA for tax increment funds generated from Parcels Q and W-2 as if the parcels were not located in a redevelopment area. As a result, the tax increment available to the CRA for financing Grand Avenue Project costs excludes any share attributable to the County, including its special districts.

We believe that the Related Companies' Implementation Plan reflects the cost of conventional infrastructure being borne by Related as part of the cost of the project. In any event, Related has not asked for a contribution by the landowner (County) for conventional infrastructure. The Implementation Plan, however, does identify a public requirement of $12 million in tax increment financing for extraordinary Public Space improvements within Parcel Q and the Grand Avenue Committee has reported a $9 million requirement for tax increment funding of enhanced streetscape improvements for Grand Avenue between Fifth Street and Cesar Chavez Boulevard.

Concerning the Implementation Plan's proposal that "tax increment revenues from the Project" would be used to pay for the Public Space improvements and streetscape improvements, recent discussions with the Grand Avenue Committee, who negotiated the Implementation Plan on behalf of the Grand Avenue Authority, and the CRA have revealed that during the negotiations with Related, consideration had not been given to the fact that tax increment from the County's properties would not be available to the CRA.

The extent to which the County agrees to participate in making available a portion of its tax increment for costs stemming from the Project has yet to be determined and would be the subject of further negotiations.

<u>Next Steps</u>

Concurrent with its DDA and lease negotiations, the Grand Avenue Authority will begin the environmental review process using the Implementation Plan as the framework for that assessment. Upon completion of the negotiations and the environmental assessment and after approval by the Grand Avenue Authority, the DDA, Ground Lease and Environmental Impact Report (EIR) will be submitted to your Board, as well as to the CRA and the City, for approval or disapproval.

In the event the County, CRA and City approve the DDA, Ground Leases and EIR approved by the Grand Avenue Authority, the County will cause each of its parcels to be leased, on a phased basis consistent with the phasing of the planned development, to the Grand Avenue Authority for sublease to the Related Companies, once the developer has obtained all necessary entitlements and is ready to commence construction on each of the County-owned parcels.

**Implementation of Strategic Plan Goals**

The recommendations herein are consistent with the Countywide Strategic Plan goals of service excellence and fiscal responsibility (Goals 1 and 4). As envisioned by the Related Companies, the Grand Avenue Project will provide for the downtown Civic Park, as well as a comprehensive, integrated development of County-owned and other parcels and associated streetscaping to provide rental payments to the County and increased property tax revenues.

**FISCAL IMPACT/FINANCING**

The land on which the development will take place will be leased to the developer under 99-year ground leases. Upon expiration of the leases, the improvements will revert to the County or the City of Los Angeles, depending on the fee ownership. The ground rent for the leases will comprise a prepaid base rent component and an incentive rent component. The prepaid base rent will be based on the number of units (square feet, hotel rooms, condominiums, etc.), while the incentive rent will be based on developer sales and rental revenues above specified thresholds.

The prepaid base rent for all phases is anticipated to generate approximately $104 million (plus CPI increases for base rent that is due in later phases), based on the minimum scope of development. The initial prepaid base rent will be $50 million, which will become nonrefundable upon approval of the DDA by all parties. An estimate of incentive rent associated with Phase 1 is $4.3 million in its net present value. Due to the speculative nature of prices upon completion of Phases 2 and 3, incentive rent has not been estimated for these developments.

Both prepaid base and incentive rents will be allocated between the County and the CRA in proportion to the relative appraised value of the County's parcels (Q and W-2) as compared with the CRA's parcels (L and M); thus, the County's share is anticipated to be 69 percent of all prepaid and incentive rents that accrue to the Grand Avenue Authority, based on an outside appraisal, which is still subject to approval by the County and the CRA.

In addition to rents paid to the County and the CRA, the Grand Avenue project is anticipated to provide approximately $5.0 million in annual property tax increment upon completion of Phase 1 of the project, increasing by two percent annually. The County share of that increment will initially be about $2.1 million annually. An additional $11.2 million is projected in 2015-16 for Phases 2 and 3, with a County share of $1.7 million.

Both the County and CRA shares of the initial prepaid base rent of $50.0 million are proposed to be used for development of the Civic Park. Additional public sector costs of the project, including affordable housing incentives, potential additional costs of the Civic Park, Grand Avenue streetscape, public space improvements, and potential contributions toward public parking, will be financed by tax increment funds available to the CRA, and other monies which may become available for such purposes.

This office has carefully studied the financial implications of implementation of the Grand Avenue Project as envisioned herein. It is our conclusion that the County will receive property tax and ground rent revenues that are substantially similar in present value to the revenues that could be expected from other potential market-rate transactions on the County's Bunker Hill properties, as adjusted in consideration of the County's participation in the risks and benefits associated with the current Project, including:

- The goal of funding the Civic Park with project revenue will be achieved;
- The County will maintain considerable control over the design and other elements of the development of the Project; and

- The County will maintain a long-term asset by retaining fee ownership of the underlying County parcels to be developed in the Project.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

In September 2003, the County and the CRA established the Grand Avenue Authority, under the JPA Agreement, for the purpose of overseeing the implementation of a Conceptual Development Plan for the creation of a mixed use project on four County- and CRA-owned parcels (Q, W-2, L, and M) that remain undeveloped on Bunker Hill, as well as full realization of the Civic Park along the County Mall extending from Grand Avenue to Spring Streets, and streetscaping along Grand Avenue and the streets surrounding the development. By developing the project as a whole, it was the goal of the participants that a greater synergy would be created, benefiting the entire downtown area. The mix of uses, especially of retail and entertainment uses, was considered to be more balanced and appeal to a wider market base through comprehensive planning.

In August 2004, the Grand Avenue Authority chose the Related Companies, L.P. as the designated developer for the Grand Avenue project that was conceived by the Grand Avenue Committee. The Committee's vision, as adopted by the Board of Supervisors, saw the Bunker Hill area of downtown Los Angeles as having the potential to become a day and night environment that would be multi-layered and attractive to all populations and all generations. The Committee noted that three key interventions were needed to create the energy that would launch the downtown revival: completion and enhancement of the County Mall as a Civic Park from Grand Avenue east to Los Angeles City Hall; improvement of the Grand Avenue streetscape; and development of unused and underused parcels of land near the top of Bunker Hill.

The Implementation Plan incorporates a number of design goals and principles that will create a significant new urban destination for Downtown Los Angeles:

- Residential uses will include a variety of housing types and urban living opportunities, and will create a critical mass of people to energize the Bunker Hill neighborhood.

- Retail, restaurant, and entertainment/cultural uses will be a primary force to shape the final design.

- Public spaces will play a major role in organizing the plan, with an emphasis on pedestrian-friendly design, and strengthening the role of Grand Avenue as a retail and pedestrian-oriented street that respects and enhances views to the Walt Disney Concert Hall.

- The design program will be inclusive in its appeal to various market segments and the surrounding neighborhoods.

As the result of negotiations with the Grand Avenue Committee acting on behalf of the Grand Avenue Authority, the Related Companies has produced a three-phase Implementation Plan that was approved by the Authority on May 23, 2005. The Implementation Plan has since been approved by the CRA on June 16, 2005 and the Los Angeles City Council on July 20, 2005.

The first phase of the development, to be located on "Parcel Q" (L.A. County Lot 17), includes development of a high-impact, high-intensity mixed use environment, with retail, restaurants, cinema, hotel and residential units in a multi-level setting with towers up to approximately 50 stories and several large outdoor spaces. The hotel is anticipated to consist of approximately 225-275 rooms, with meeting spaces, ballrooms, and a generous outdoor pool area. Between 200,000 and 300,000 square feet of retail will be developed with plans for a food market, bookstore, boutique cinema, several restaurants, and other specialty shops. Between 400 and 470 condominiums and rental apartments will be distributed between the two tower buildings. The residential units will have several amenities, including outdoor pools and sun terraces. At least 20 percent of all residential uses will be designated as affordable housing. It is anticipated that up to 2,000 parking spaces will be developed below street level. As part of the first phase of development, the 16-acre Civic Park along the County Mall extending from Grand Avenue to the Los Angeles City Hall is planned to be developed. The first phase also includes streetscaping along Grand Avenue between Second Street and Temple. The first phase is anticipated to be completed by early 2009.

The second phase of development is anticipated to be primarily residential uses, on CRA-owned "Parcels L and M" on Grand Avenue just south of the Walt Disney Concert Hall, along with streetscaping on Grand Avenue between Second and Fifth Streets. "Parcel W-2" (County Lot 26) and potentially the privately owned "Parcel W-1" will comprise the third phase, anticipated to be mixed office and residential uses, together with streetscaping along Grand Avenue from Temple Street to Cesar Chavez Boulevard. The second and third phases will be implemented as market conditions warrant, but in no event will Related have longer than six years after approval of the DDA to commence construction of Phase 2, or nine years to commence Phase 3.

The Grand Avenue streetscape, from Cesar Chavez Boulevard to Fifth Street, will be a unifying element of the development, connecting Bunker Hill and the Civic Park with the Financial District. Components of the Grand Avenue streetscape include the addition of trees, landscaping, paving systems, benches, trash receptacles, street graphics and walkway lighting. A key component of the streetscape program will be the expansion of the sidewalk where Grand Avenue meets the Civic Park. This expansion will create a signature urban plaza, opposite the Music Center, that both overlooks and integrates with the redeveloped Civic Park.

The total development program for the Grand Avenue Project includes:

| | |
|---|---|
| - Retail | 350,000 to 400,000 square feet |
| - Hotel | 225 to 275 rooms |
| - Total Residential Units | 2,100 to 2,600 units (20 percent affordable units) |
| o Condominiums | 800 to 1,000 units |
| o Rentals | 1,300 to1,600 units |
| - Parking | 4,800 to 5,500 spaces |
| Total Development Area | 2,800,000 to 3,800,000 square feet |
| Civic Park | 16 acres |
| Total Cost to Developer | $1,500,000,000 |

Depending on market conditions or County needs, the total development program may replace some residential uses with office uses.

The JPA Agreement provides that the Grand Avenue Authority will terminate if the CRA and the County fail to approve an implementation Plan by September 2, 2005. This Implementation Plan, in view of the impending deadline, provides the framework for the environmental assessment of the proposed project and the core terms for future negotiation of many unaddressed details. The DDA and the Ground Leases that will be submitted for your Board's approval or disapproval in the future will address those details.

In May 2005, the Los Angeles Economic Development Corporation analyzed the economic impacts of the Grand Avenue Project (Attachment III), and determined that on completion, rents and other business revenues are expected to increase about $566 million per year; 5,300 jobs will be created, generating $152 million per year; and tax revenues to all taxing entities will increase by $95 million per year. During the construction phases, business revenues would increase by $3.7 billion, jobs by 25,000, and taxes by $616 million.

**ENVIRONMENTAL DOCUMENTATION**

The recommended action is exempt from CEQA pursuant to Section 15262 and Section 15061(b)(3) of the State CEQA Guidelines because the Implementation Plan involves planning for future actions which your Board has not approved and because it can be seen with certainty that approval of the Implementation Plan will not affect the environment. Following approval of the Implementation Plan by all parties, the Grand Avenue Authority, as lead agency for CEQA compliance, will prepare an EIR for the project using the Implementation Plan to define the project description for that environmental assessment. Following certification of the EIR by the Grand Avenue Authority, the County and the CRA will be required to consider adoption of the EIR as responsible agencies for CEQA compliance. The County will not lease its property for sublease to Related until all required CEQA actions have been taken.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

In Phase 1 of the project, development of County Lot 17 into mixed-use facilities will reduce available Civic Center parking for Superior Court jurors by 1,067 spaces, and public parking by 149 spaces. Since juror parking is still a responsibility of the County, replacement parking will have to be provided. Sufficient daytime parking is available in the Walt Disney Concert Hall Garage to accommodate the jurors and the current public parking with little or no impact on availability of public parking in the Civic Center area, and little or no impact on the revenues derived by the County from paid public parking.

Upon the development of Phase 3 of the Implementation Plan, Parking Lot 26 will no longer be able to accommodate paid public parking; however, there remains sufficient daytime parking in the nearby Walt Disney Concert Hall garage to accommodate those users. Due to the garage's proximity to Lot 26, as well as the dearth of other public parking lots in the area, we believe any net revenue loss to the County could be *de minimus*.

The development of the County Mall into a civic park will include development on the land now occupied by County Parking Lot 11, adjacent to the Clara Shortridge Foltz Criminal Justice Center. Parking will be reduced by 349 employee and public spaces. The employee spaces, about 159, can be replaced through a structural upgrade to Lot 10, below the Court of Flags. Lot 10 is currently not used to capacity due to unrepaired structural damage. The upgrade is anticipated to cost approximately $2 to 3 million, and can be completed prior to demolition of Lot 11 as part of the civic park development. The remaining spaces in Lot 11 are sold to the public on a daily or monthly basis; thus, net revenue from Lot 11 may be absorbed by other County parking lots, or be lost to other parking vendors (or other transportation modes), at a County revenue loss of up to $408,000 annually.

Depending on the outcome of subsequent planning and Board action, consideration is being given to relocating County offices from the Kenneth Hahn Hall of Administration to Parcel W-2 as part of the development of Phase 3 of the project. The financial impacts, as well as the effects on current services, of such a move on the County will be considered if that project moves forward.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:JSE
MV:rr

Attachments (3)

c: County Counsel
Auditor-Controller
Internal Services Department
Grand Avenue Authority

# GRAND AVENUE PROJECT IMPLEMENTATION PLAN

## Executive Summary

The Related Companies, L.P. was selected in August 2004 as the designated developer for the Joint Powers Authority's Reimagining Grand Ave project. This ambitious endeavor is comprised of the three efforts: 1) development of four City and County owned parcels, 2) the redevelopment of the Civic Mall into a Civic Park and 3) improvements to the streetscape of Grand Avenue, from Fifth Street to Cesar Chavez Avenue. This submittal of information provides information developed during the ENA period that commenced in September 2004.

## Development Sites

The Development Sites consist of Blocks Q, W-2, L, M-2 and, through separate acquisition, W-1 (1.3 acres). Total site area, with anticipated usage of air rights over portions of Olive Street and Gen. T. Koschiuszko Way, approximately 10 acres. County owned land, approximately 5.7 acres. City Owned land, approximately 2.2 acres.

## Development Sites Program

Phase 1 on Block Q:

| | |
|---|---|
| · Retail | 200-300,000 SF |
| · Hotel | 225-275 Rooms |
| · Total Residential Units | 400-470 Units * |
| – Condominiums | 320-375 Units |
| – Rentals | 80-95 Units |
| · Parking | 1,600-2000 spaces |
| Total Development Area | 900,000 - 1,200,000 SF |
| Total Cost: | $500-$550,000,000 |

Total Development Plan

| | |
|---|---|
| · Retail | 350-400,000 SF |
| · Hotel | 225-275 Rooms |
| · Total Residential Units | 2,100-2,600 Units * |
| – Condominiums | 800-1,000 Units |
| – Rentals | 1,300-1,600 Units |
| · Parking | 4,800-5,500 Spaces |
| Total Development Area | 2,800,000 - 3,800,000 SF |
| Total Cost (2005$): | $1,500,000,000 |

** 20% affordable units*
*** Alternate Total Development Plan may replace some uses with office*

## Development Plan

Project Description

Phase I of the development will create a high impact, high intensity mixed-use environment with retail on several levels, a large restaurant program, a cinema or other entertainment use, a large event facility, a food market and health club, a hotel with approximately 225 rooms and 400-470 residential units. The design, across multi-levels, incorporates a large central plaza space, a myriad of outdoor terraces, large amounts of vegetation and outdoor pools and terraces for the hotel, restaurant and residential uses, blending indoor and outdoor spaces in order to take advantage of the Southern California climate. An iconic tower, which sits on Grand and Second St., will have approximately 200 condominium units above the hotel. This tower will be approximately 500,000 square feet and approximately 40-50 stories tall. A second tower, on Olive and First Streets, will have approximately 240 units and be approximately 25-30 stories tall. 20% of the total residential units will be affordable.

Phasing

| | |
|---|---|
| Phase 1, Entire Block Q Program: | Commences 2006, completed 2008/09 |
| Civic Park / Streetscape from 2nd to Temple | Completed with Block Q in 2008/09 |
| Blocks L/M and W | TBD, as soon as market conditions warrant, Phase 2 anticipated to be undertaken prior to 2009. |

Schedule of Performance Summary – Phase 1

| | |
|---|---|
| DDA and CEQA Approvals | Completed November 2005 |
| Design and Design Documentation | July/August 2005 - Fall 2006 (12-14 months) |
| Construction | Fall 2006 - Late 2008/Early 2009 |
| Retail Grand Opening | October/November 2008 (30-32 Months) |
| Residential Towers Openings | In two phases, Fall 2008/Early 2009 |

**Infrastructure Plan**

Infrastructure requirements in the area surrounding the Development Sites are, generally, of capacity to accommodate the Development Program. The Development Site does not appear to have any major environmental issues. Infrastructure improvements for Block Q will be constructed in the initial phases of construction and will be predominantly confined to Block Q, with the possible exception of improvements to Olive Street.

**Business Plan - Development Parcels**

Organizational Plan:

Related will manage the development of the Development Sites, the Civic Park and the Streetscape program through a combined effort of Related's management and staff in New York and a California based team that will grow over time to includes Project Partners, Project executives and project/construction management staff, retail leasing specialists, and residential sales and marketing staff. A downtown Los Angeles office will be opened in 2005.

Marketing Program

Related's priorities regarding marketing include identifying and concluding basic agreements with a hotel operator by late 2005. Key anchor retail tenants, including a food market, a cinema or entertainment use, bookstore, health club, event facility and a core collection of restaurants will be identified with basic agreements in place by Fall 2005. Residential condominium sales will commence at the start of construction of condominium building(s) and rental leasing will start 90-180 days before opening of the rental component(s).

Financing Plan

Related will likely use conventional construction debt financing from a commercial banks, life insurance companies, or other financial institutions. In addition, Related, which usually enters into equity joint ventures with corporate, state and union pension funds, as well as financial and non-financial institutions, has teamed up with McFarlane Partners, an advisor of and investor for California

Public Employee's Retirement System (CalPERS), as an equity partner for all components of the project and has thus will secure funds for the entire equity requirement for the Project. The hotel may have additional equity partners.

In general, Predevelopment capital requirements will be funded by Related, Preconstruction Project Costs will be funded by Related and MacFarlane Partners. Financing of the Civic Park and Streetscape component is not a Related or MacFarlane Partners responsibility, as described below.

### Business Plan – Civic Park & Streetscape

The basic plan for the Civic Park and Streetscape is to provide a redeveloped Civic Park in Phase 1, delivered simultaneously with the first phase of development on Block Q.

The Civic Park and Grand Avenue Streetscape improvements, along with significant public space improvements on the Development Sites are financed first through land proceeds (pre-paid ground rent) generated from Phase 1 and second, through TIF generated funds from the Phase 1 private development program. Streetscapes adjacent to the private development sites, other than Grand Avenue, will be provided by Related.

Related's preliminary financial projections and budgeting on the Civic Park, as outlined in this submittal, indicates that the following can be funded through Phase 1 Project generated land proceeds and TIF:

- Project affordable housing incentives,
- A Civic Park and Grand Avenue Streetscape Program in the range of $55-$60 million, and
- A public space improvements program in the range of $10 to $12 million
- Contributions towards a public parking facility

Depending upon the final scope of the Civic Park and Grand Avenue Streetscape program, Phase 1 would also generate net proceeds to the City and County. Thus the majority of the JPA's objectives can be met through the development of Phase 1 alone.

Park Program

The program for the Civic Park is derived from an overall concept of activating the park through a program of ongoing events and activities. With flexibility for cross-programming, the general approach is to zone the 16 acre Civic Park into several sections, with each section designed to accommodate specific programmed uses as summarized below.

| **Programmed Use** | **Civic Park Locations / Zone** |
|---|---|
| Daily / Permanent Events & Activities<br>*Approx. 16 acres* | Integrated throughout the Civic Park, including passive park use |
| Park-wide Events & Activities<br>*Approx. 16 acres* | Infrastructure in all zones built to accommodate large scale events that could utilize all zones of the entire park from Grand Avenue to Spring St. |
| Cultural and Entertainment<br>*Approx. 8 acres* | Concentrated between Grand and Hill |
| Garden<br>*Approx. 4 acres* | Concentrated between Hill and Broadway |
| Civic and Community<br>*Approx. 4 acres* | Concentrated between Broadway and Spring |

## Business Terms

A term sheet is included at Tab 28. The business terms incorporate the following concepts:

- Land is leased to the developer under a long-term ground lease. Upon expiration of the lease, the improvements revert to the City or County, depending upon the block. The ground rent has a base rent component and an incentive rent component.
- Base Ground Rent is pre-paid upon the start of construction of each phase in order to maximize upfront proceeds to the City and County.
- Incentive rent for each use (retail, hotel, residential, office) allows the City and County to participate in the project revenues generated over time; participating in revenue growth from project success and inflation.
- The developer provides a minimum upfront Pre-paid Ground Rent payment of $50 million.
- Pre-paid Ground Rent proceeds and project generated TIF funds pay for: a) contributions toward affordable housing incentives, b) the redevelopment of the Civic Park and Grand Avenue Streetscape, c) contributions towards public space improvements, and, d) contributions towards a public parking facility. After funding these programs, net proceeds go to the City and County pursuant to the JPA agreements.
- A 20% affordability component is required of all residential uses; affordable housing incentives are provided to help finance the affordable housing component.

## Project Master Plans

The following pages include several diagrams and plans that are discussed and illustrated in greater detail in subsequent sections of this submittal.

Refer to Tab 29 for a summary of the master plan analysis as well as illustrative plans regarding the Development Sites, the Civic Park and the Streetscape program.

Refer to Tab 30 for an illustrative project summary and Block Q illustrative floor plans

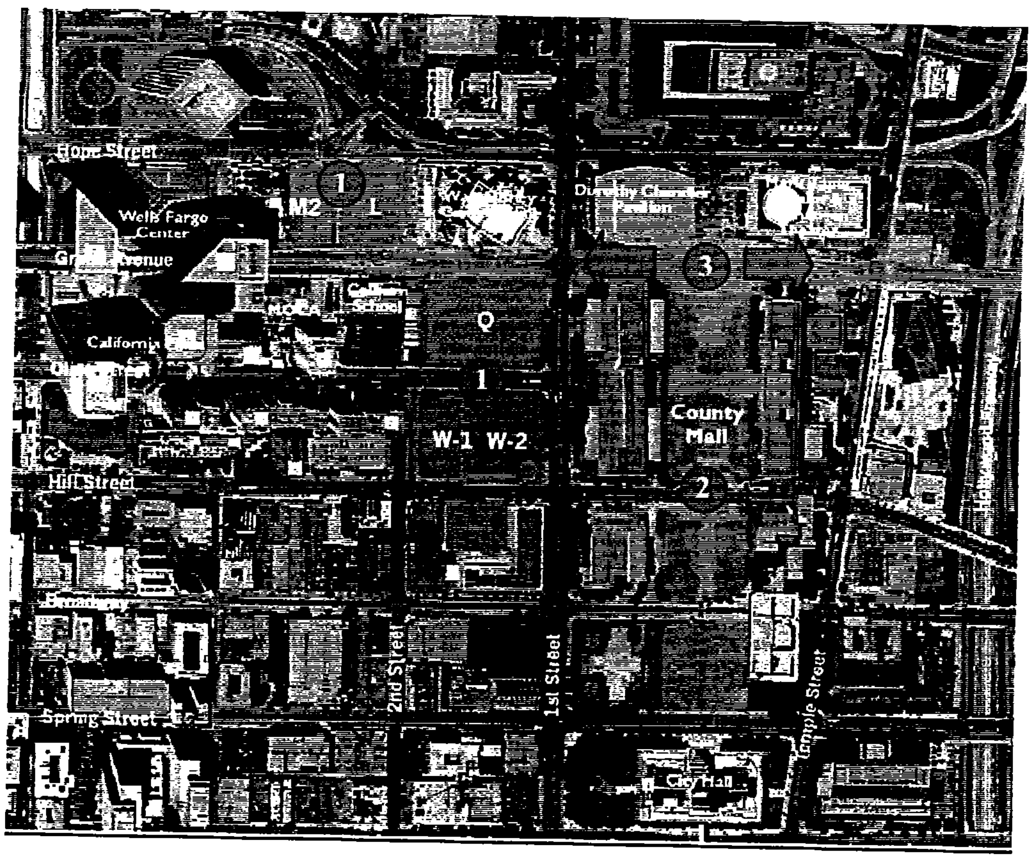
# Grand Avenue

April 4, 2005
Submittal by The Related Companies, L.P.

**Executive Summary Diagrams**

**Development Plan**

1. The development of parcels Q, W-2, L and M-1 (the "Development Sites"), Parcels Q, W-2, L and M will be developed in phases, beginning with the Q parcel. W-1 will be included with the Development Sites through separate acquisition by Related.
2. The redevelopment of the Civic Mall from City Hall to Grand Avenue into a Civic Park.
3. The redevelopment of Grand Avenue from Fifth St. to Cesar Chavez Avenue (the "Streetscape" program).



## Grand Avenue

April 4, 2005

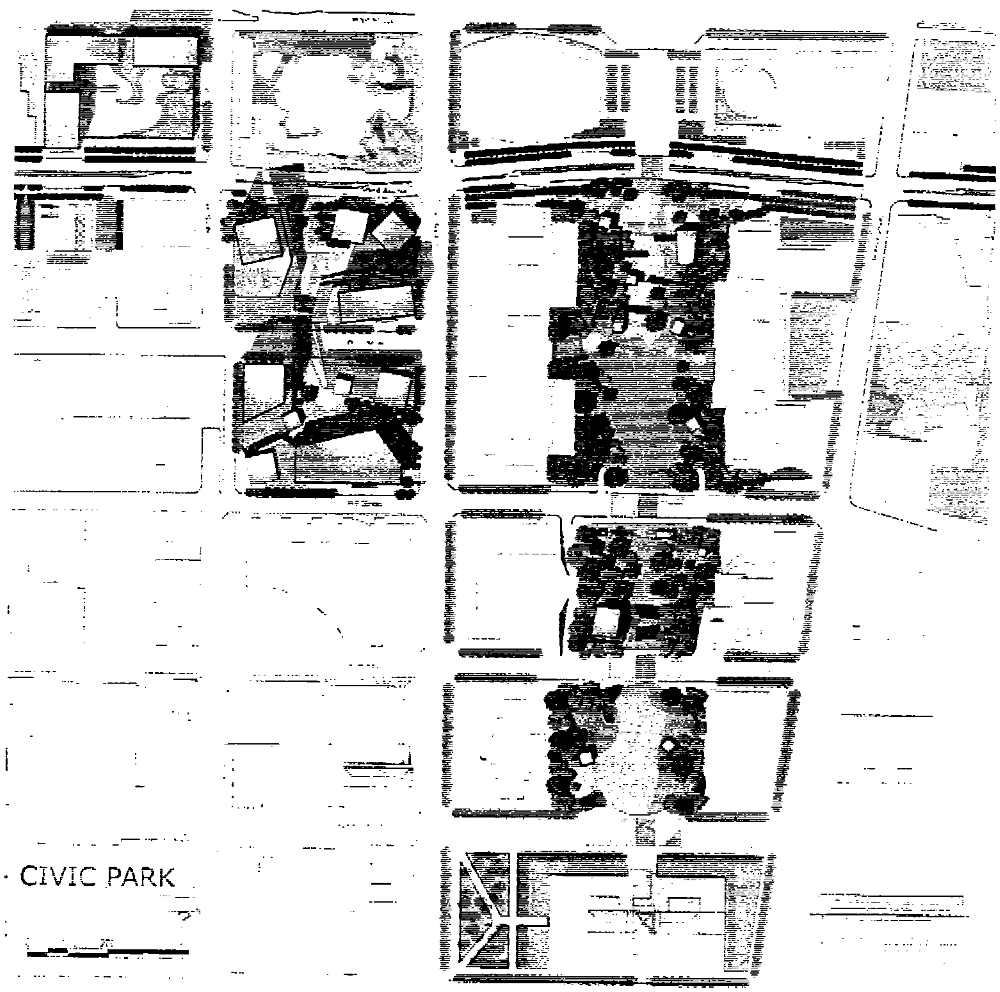
Submittal by The Related Companies, L.P.

Master Plan

The comprehensive master plan for the entire Project, including the Development Sites (L, M-2, Q and W-2) andW-1 (currently owned by a third party) is summarized in the table below.

| Projected Program | Square Footage | Units/Keys |
|---|---|---|
| Hotel | 200-250,000 | 225-275 |
| Retail | 350-400,000 | |
| Residential Condos | 1,250,000-1,450,000 | 800-1,000 |
| Residential Rentals | 1,000,000-1,400,000 | 1,300-1,600 |
| **Totals** | **2,800,000-3,500,000** | **2,100-2,600** |

* *Office is an alternate use*




**Illustrative Master Plan Site Plan**

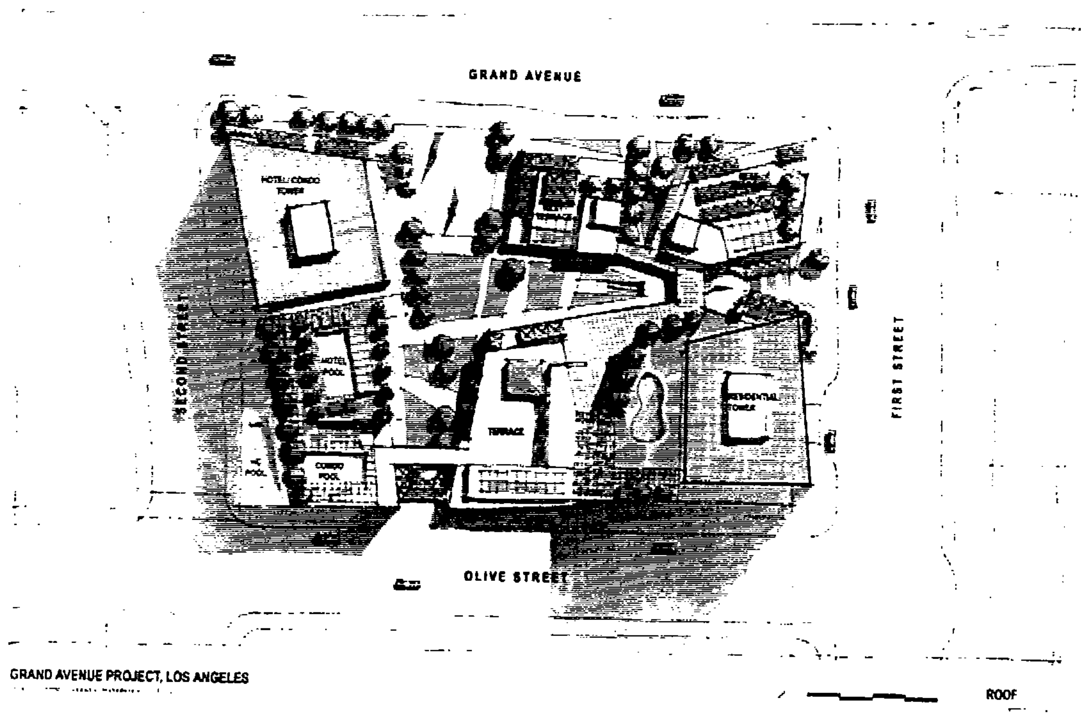
## Grand Avenue

April 4, 2005
Submittal by The Related Companies, L.P.

**Executive Summary Diagrams**

**Phase 1 – Block Q**

| Projected Program | Square Footage | Units/Keys |
|---|---|---|
| Hotel | 200-250,000 | 225-275 |
| Retail | 200-300,000 | |
| Residential Condos | 450-550,000 | 320-375 |
| Residential Rentals | 60-80,000 | 80-95 |
| **Totals** | **900-1,200,000** | **400-470** |



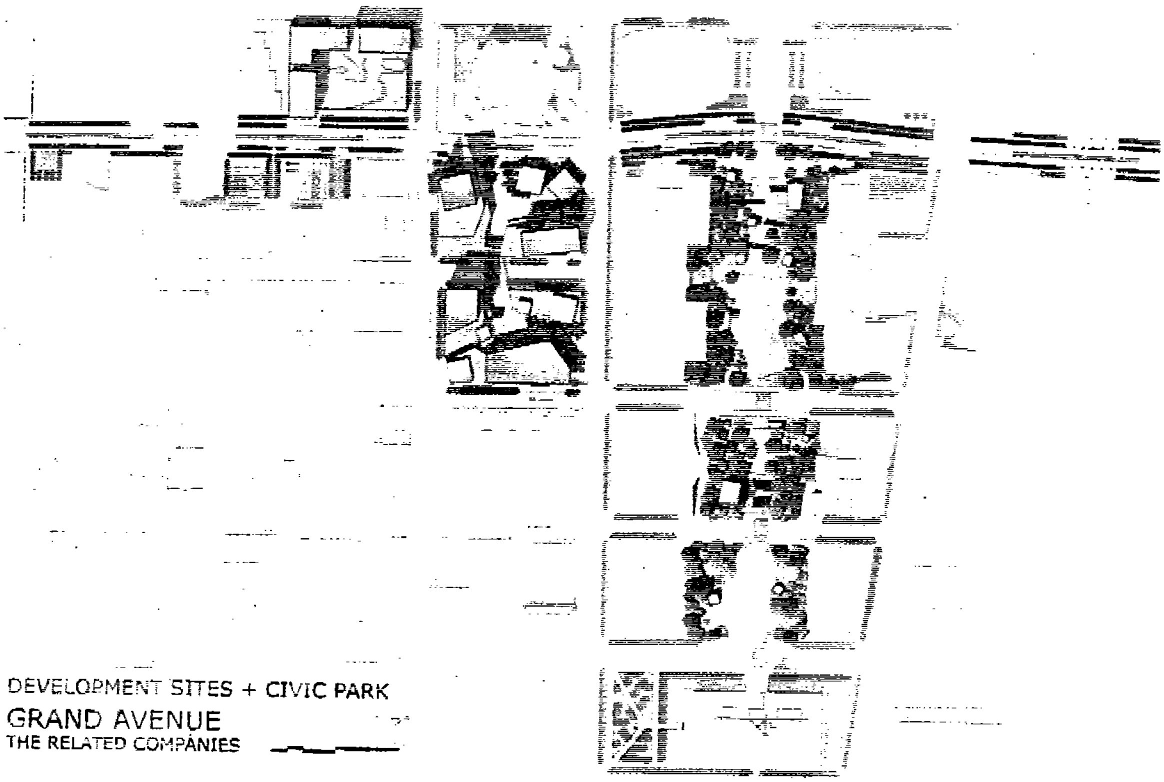

**Block Q Site Plan 1**

# Grand Avenue

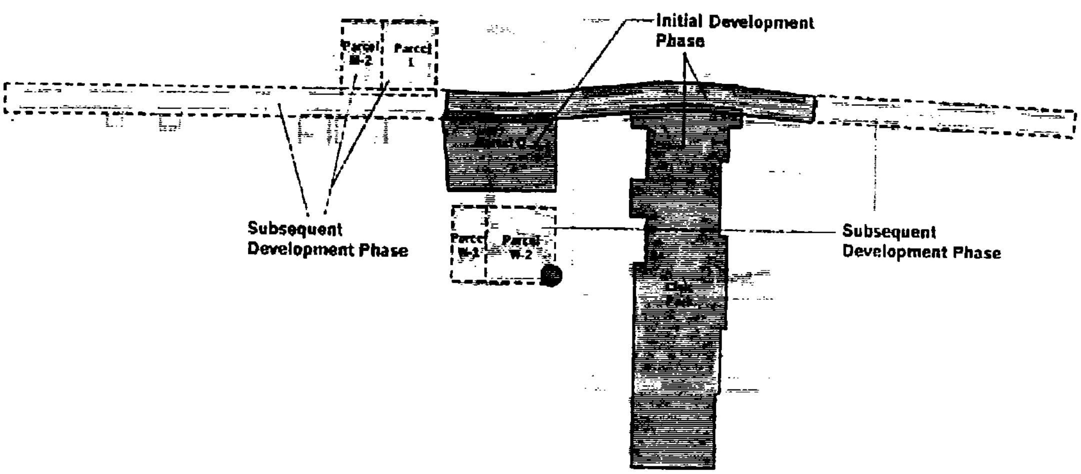
April 4, 2005

Submittal by The Related Companies, L.P.

**Executive Summary Diagrams**



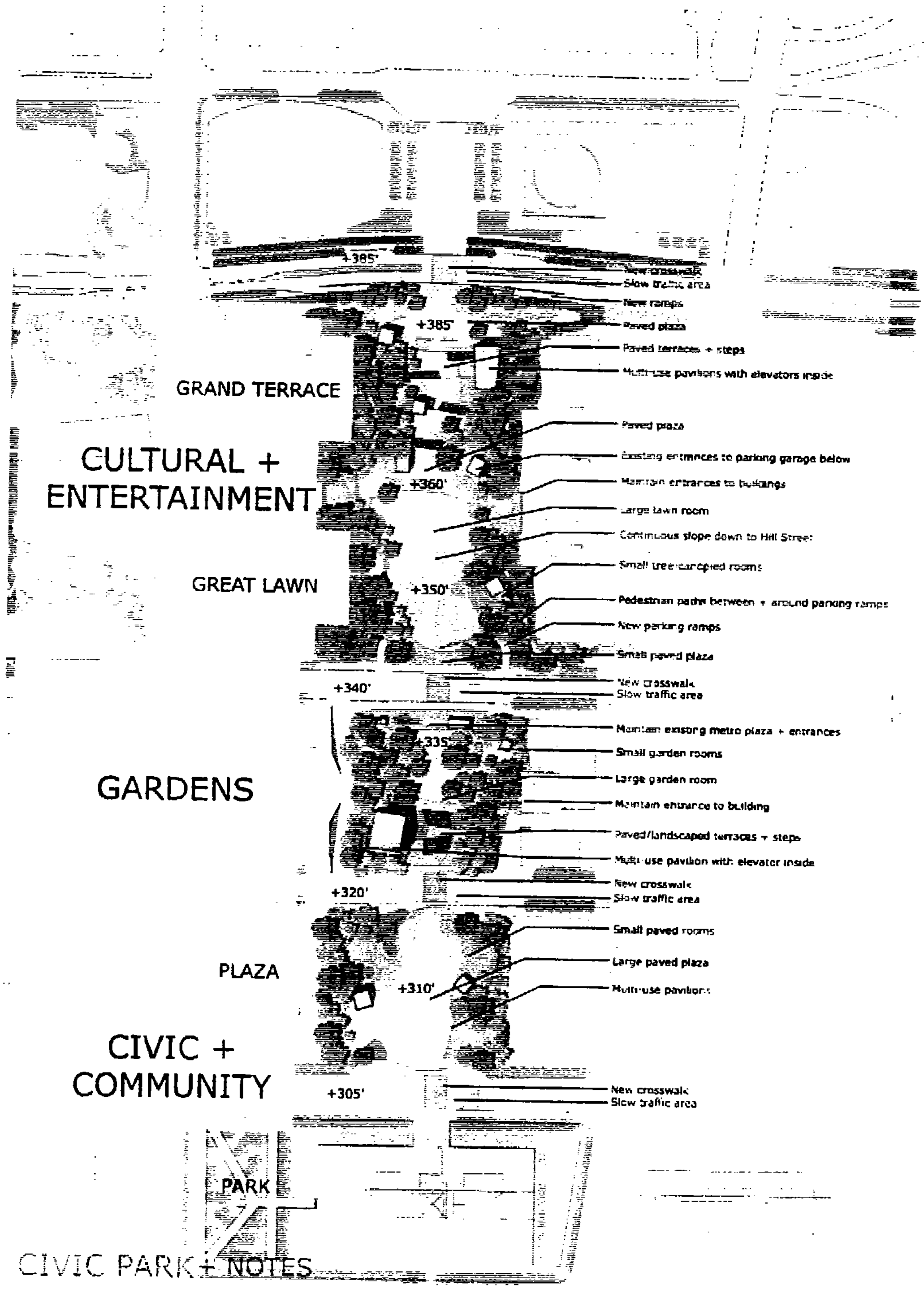

**Streetscape and Civic Park Diagram**




**Phasing Diagram**

**Grand Avenue**
April 4, 2005
Submittal by The Related Companies, L.P.

**Executive Summary Diagrams**




**Illustrative Site Plan / Master Plan of the Civic Park**

# GRAND AVENUE PROJECT TERM SHEET

**Dated May 23, 2005**

This Term Sheet is submitted by The Related Companies, L.P. ("Related") pursuant to and in compliance with Section 4.4.5 of the Exclusive Negotiation Agreement (Grand Avenue Project) ("ENA") dated as of September 15, 2004 between Related and Los Angeles Grand Avenue Authority ("JPA"). This Term Sheet constitutes an integral part of the Implementation Plan (as defined in the ENA) presented to the Grand Avenue Committee, Inc. ("GAC"). Related acknowledges and agrees that, in accordance with Section 4.5 of the ENA, upon approval of the Implementation Plan, including this Term Sheet, by the GAC, the GAC shall submit the Implementation Plan and this Term Sheet to the JPA for its approval. Related shall not withdraw, or change the terms and conditions set forth in, the Implementation Plan or this Term Sheet for a period of ninety (90) days following such submission of the Implementation Plan and this Term Sheet to the JPA for approval. This Term Sheet sets forth the general terms and conditions on which the parties will proceed to negotiate the definitive DDA and Ground Leases. The parties acknowledge that (a) this Term Sheet does not establish the essential terms of the Property Transfer or the development of the Project, (b) they do not intend this Term Sheet to be a statement of all of the essential terms of the Transaction and (c) the essential terms of the Transaction, if agreed to by the parties, shall be set forth, if at all, in the DDA approved and executed by authorized representatives of each party. The parties further understand that this Term Sheet is merely an expression of the JPA's agreement in concept to the terms outlined herein and this Term Sheet is not binding upon any party hereto except with respect to the Paragraphs entitled "Initial Funding of Prepaid Ground Rent", "Preparation of CEQA Documentation", and "Effectiveness of Term Sheet; Incorporation of ENA Provisions". There is no final agreement between or among the parties (except as otherwise provided herein) unless and until a definitive DDA and Ground Lease are executed and delivered by the JPA and Related. All capitalized terms not otherwise defined shall have the meanings given in the ENA.

**STRUCTURE OF TRANSACTION; PROJECT DOCUMENTS**

Upon receipt of all approvals, including compliance under the California Environmental Quality Act (CEQA), the JPA and Related will enter into a Disposition and Development Agreement (DDA) governing leasing and development of the Development Parcels and redevelopment of the Park Site. The DDA will provide that Related will develop a project on the Project Site in three phases described below. The JPA and Related will enter into Ground Leases for each phase and Related will pay Prepaid Base Ground Rent for each phase, as provided herein. The following public improvements will be partially or wholly funded by Prepaid Base Ground Rent <u>and</u> tax increment revenues from the Project:

- Affordable housing incentives
- Civic Park improvements
- Grand Avenue Streetscape improvements
- Public space improvements on the Development Parcels
- Financial assistance for retail public parking structures

The CRA will not be required to contribute any funds for the foregoing public improvements in excess of the tax increment financing generated by the Project.

**PROJECT SCOPE AND PHASING**

Phase I of the Project will be developed on Parcel Q. The improvements comprising Phase I will consist of (i) between 200,000 and 300,000 square feet of retail improvements, (ii) a first class hotel of approximately 225-275 keys located on the lower floors of a high rise tower which includes approximately 200 condo units above the hotel, and (iii) a separate residential tower including affordable rental units equal to 20% of the total residential units in Phase I on the lower floors (approximately 88 rental units) and approximately 150 condo units on the upper floors.

Phase II of the Project will be developed on Parcels L and M. Phase II is anticipated to consist of residential units, being either condos or rental units or a combination thereof and a street level retail component. Phase II may include an office building component if there is demand for such office space.

Phase III of the Project will be developed on Parcel W-2 and Parcel W-1, which Related intends to acquire at its own cost from the current owner prior to entering into the Ground Lease for Phase III. Phase III of the Project is anticipated to consist of condominium and/ or rental residential units with a retail component linked to the retail space on Phase I. Phase III may include a civic office building or other office space if there is demand for such space.

**GROUND RENT**

**Residential**

**Prepaid Base Ground Rent:**

Condominiums: $75,000/unit, paid at start of construction as Prepaid Base Ground Rent for market rate condo units.

Market Rate Rentals: $20,000/unit, paid at start of construction as Prepaid Base Ground Rent for market rate rental units.

Affordable Rentals: $0/unit for affordable rental units. Reimbursement for affordable component at $100,000 per affordable rental unit, to be funded through TIF proceeds. Reimbursement for any affordable condo component at $200,000 per condo unit, to be funded through TIF proceeds.

The residential unit mix of every development phase of the Project will include a 20% affordable component per the ENA, but in the first Phase of the Project (Parcel Q) all of the affordable units will be rental units rented to households with incomes at or below 50% of median income. All market rate and affordable units will be accessed through one common lobby in the Building and will have shared use of common areas. As to Phase I of the Project, the affordable units do not have to be dispersed throughout the building and can instead be located on the lower floors of a building which includes both condo and rental units, subject to the requirement for a common lobby and shared use of the common areas. The foregoing unit prices for the residential units are based on Related developing at least the minimum number of units specified in the Implementation Plan as to Phase I, and as to Phases II and III, the minimum scope of development for each Phase approved by the JPA and Related.

**Residential Incentive Rent:**

Condominium

5% of gross sales proceeds over a threshold of $575 per square foot of each unit sold. The $575 per square foot threshold amount will increase as to Phase 2 and Phase 3 of the Project by the Consumer Price Index (Los Angeles, Anaheim, Riverside SMSA) (CPI) from the Effective Date of the DDA until the date of the payment of the Prepaid Base Ground Rent for the respective subsequent Phase.

Market Rate Rentals:

- 2.0% of gross rents over a threshold of $40/sf of rentable area
- 2.5% of gross rents over a threshold of $45/sf of rentable area
- 5.0% of gross rents over a threshold of $50/sf of rentable area

The above thresholds for Incentive Ground Rent on market rate rentals will be reset every 20 years, however in no event shall the amount payable to the Authority be reduced. Incentive Ground Rent applies to market rate units only and will be calculated on a per building basis.

**Retail**

**Prepaid Base Ground Rent**: $40/sf of GLA, paid at start of construction, subject to exemption for Anchor uses (so that there will be no prepaid Ground Rent for the portion of the retail space leased to Anchor tenants for an initial term of at least 15 years, subject to the following limitations):

- Phase 1: Maximum of 40% of GLA of the retail and entertainment space can be exempted that is leased to Anchor tenants as long as Anchor tenants pay sales tax on their principal income sources (except that a cinema or entertainment tenant will be deemed to qualify as an Anchor tenant in Phase 1).

- Future Phases: Maximum of 25% of GLA of the retail and entertainment space can be exempted that is leased to Anchor tenants as long as the Anchor tenants pay sales tax on their principal income sources.

Anchor tenants are defined to include (i) a full service food market occupying a minimum of 30,000 square feet, (ii) a bookstore occupying a minimum of 10,000 square feet, and (iii) a cinema and/or other entertainment tenant, even if such cinema or entertainment tenants do not pay sales taxes on their primary sources of income, as long as such uses do not exceed an aggregate of 25% of the total GLA of retail and entertainment space.

An approved cultural use would also carry $0/sf Base Ground Rent payment, but would be excluded from the exemptions above.

The foregoing per square foot price for the retail space is based on Related developing at least 200,000 square feet of retail improvements in Phase I, as specified in the Implementation Plan (unless a smaller square footage of retail improvements is approved by the JPA and the total Prepaid Base Ground Rent is not thereby reduced (e.g., because the space devoted to the anchor tenants is reduced or because the retail space is replaced with residential units that generate the same or more base ground rent).

**Retail Incentive Rent:** Commencing in the 4th year of operations, 2% of gross rents from all retail, restaurant and entertainment tenants.

**Hotel**

**Prepaid Base Ground Rent:** $35,000 / key, paid at start of construction as Prepaid Ground Rent. This per key price is based on Related developing a hotel with at least 225 keys (unless the JPA approves a smaller hotel and the Prepaid Base Ground Rent is not thereby reduced).

**Hotel Incentive Rent:** 2% of Gross Room Revenues commencing in the year in which the Hotel achieves a RevPAR threshold on a rolling 6 month average basis according to the following table:

| Year | RevPAR |
|---|---|
| 1-4 | $200 |
| 5 | $205 |
| 6 | $211 |
| 7 | $217 |
| 8 | $224 |
| 9 | $230 |
| 10 | $237 |
| Thereafter | No threshold |

However, for any year in which the rolling 6-month average is below the RevPAR threshold set forth above for the respective year, no Hotel Incentive Rent shall be due for that year.

*RevPAR is equal to the achieved average daily rate multiplied by the achieved room occupancy.*

**Hotel Incentive**

The Hotel Incentive Rent terms described above are contingent upon obtaining a reasonably satisfactory waiver or rebate of Transient Occupancy Taxes by the City of Los Angeles annually for the first full 10-years of operations, which may or may not be subject to an overall cap on the rebate which is consistent with similar arrangements between the City and other hotel developers (the "Hotel Incentive"). GAC agrees to use its best efforts to assist Related in seeking a waiver or rebate for the Hotel of up to 100% of the Transient Occupancy Taxes from the Hotel annually for the first full 10 years of operations of the Hotel, but Related acknowledges that the Hotel Incentive must be approved by the City of Los Angeles and is outside of the control of the JPA or GAC.

**Office**

**Prepaid Base Ground Rent:** $TBD / sf of NRA, paid at start of construction as Prepaid Ground Rent and representing 100% of the then current office land value for the Phase in question.

**Office Incentive Rent:** 2% of gross rents.

**SCHEDULE OF PERFORMANCE**

Related will commence construction of Phase I by December 1, 2006 and will substantially complete Phase I by November 30, 2009. "Completion" will be defined in the DDA.

Related will commence construction of Phase II within 15 months after paying the Prepaid Base Ground Rent for Phase II ("Phase II Outside Construction Start Date"), as provided below, and will substantially complete Phase II within approximately 30 months after commencement of work.

Related will commence construction of Phase III within 24 months after paying the Prepaid Base Ground Rent for Phase III ("Phase III Outside Construction Start Date") as provided below, and will substantially complete Phase III within approximately 30 months after commencement of work.

The parties shall execute the DDA and the Ground Lease for Phase I immediately upon completion of the CEQA Documents to permit the Governing Entities to comply with CEQA. The DDA may provide for certain permitted extensions of the foregoing deadlines.

**ADJUSTMENTS TO PREPAID BASE GROUND RENT FOR FUTURE PHASES**

The Prepaid Base Ground Rent for Phases II and III of the Project will be determined by the same unit pricing levels described above, increased quarterly by the same percentage increase as the increase in the CPI, commencing on execution of the DDA and continuing until payment of the full Prepaid Base Ground Rent for the subsequent Phase in question, provided Related pays the full Base Ground Rent and enters into the Ground Lease for each Phase by the Phase II Adjusted Ground Rent Outside Date or the Phase III Adjusted Ground Rent Outside Date, as applicable, as set forth below).

- "Phase II Adjusted Ground Rent Outside Date": 45 months after signing of the DDA
- "Phase III Adjusted Ground Rent Outside Date": 60 months after signing of the DDA

If Prepaid Base Ground Rent for Phase II and/or Phase III land is not paid within the applicable period set forth above, then the adjusted Base Ground Rent based on the CPI adjustments set forth above will no longer apply. In such event, as to Phase II Related will, instead, have the right within the 12 month period following the Phase II Adjusted Ground Rent Outside Date ("Phase II FMV Outside Date") to enter into a Ground Lease and prepay the full Base Ground Rent for Phase II based on a land value set at 90% of the full Fair Market Value of the land. If Related does timely exercise its right to enter into the Ground Lease for Phase II at either the adjusted Base Ground Rent based on the CPI adjustments or based on 90% of the full Fair Market Value of the land, but Related fails to exercise its right to enter into a Ground Lease for Phase III by the Phase III Adjusted Ground Rent Outside Date, then Related will have the right, by such date, to pay to JPA an amount ("Option Payment") equal to 15% of 90% of the then Fair Market Value of the Phase III Land (as determined by appraisal method to be set forth in the DDA). If Related timely pays the Option Payment, then Related will have the option within the 24 month period following the Phase III Adjusted Ground Rent Outside Date ("Phase III FMV Outside Date") to enter into a Ground Lease for Phase III and pay the Prepaid Base Ground Rent for Phase III based on a land value set at 90% of the full Fair Market Value of the land. The Option Payment will be deemed earned by the JPA in consideration for giving Related the option to ground lease Phase III for an additional 24 months and the Option Payment will be credited against the Phase III Prepaid Base Ground Rent.

If Related fails to pay the Phase II Prepaid Base Ground Rent by the Phase II FMV Outside Date, then the City, County, or JPA will have the right to transfer the Phase II and/or Phase III land to any party on such terms and at such price as it may determine in its sole discretion and Related will no longer have any rights to ground lease or develop such subsequent phases. If Related does pay the Phase II Prepaid Base Ground Rent by the outside date for Phase II, but fails to pay the Phase III Prepaid Base Ground Rent or pay the Option Payment by the Phase III Adjusted Ground Rent Outside Date, or if Related does pay the Option Payment by such date but then fails to pay the full Phase III Prepaid Base Ground Rent by the Phase III FMV Outside Date, then the City, County, or JPA will have the right to transfer the Phase III land to any party on such terms and at such price as it may determine in its sole discretion and Related will no longer have any rights to ground lease or develop Phase III (without, however, limiting Related's right to ground lease and develop Phase II if Related has timely paid the Phase II Prepaid Base Ground Rent in accordance with the foregoing terms).

The parties acknowledge that the $50 million prepaid Base Ground Rent for Phase 1 is anticipated to be approximately $9 million more than the actual total Base Ground Rent for Phase I based on the actual development program of such Phase. The excess amount of such prepaid Phase I Base Ground Rent paid by Related shall be credited against the future Prepaid Base Ground Rent owed by Related for Phase II when such Phase II Prepaid Base Ground Rent is paid by Related. If Related fails timely to pay the required Prepaid Base Ground Rent for Phase II, the excess Phase I Prepaid Base Ground Rent will be retained by the JPA as liquidated damages for Related's failure to proceed with the balance of the Project.

After paying the Phase II Base Ground Rent or the Phase III Base Ground Rent, as applicable, Related will commence construction of the Phase in question by the respective Outside Construction Start Date specified above. If Related does not commence construction of Phase II by the Phase II Outside Construction Start Date or construction of Phase III by the Phase III Outside Construction Start Date, then the City, County or JPA will have the right to terminate Related's ground lease for such Phase and transfer the parcels in question to any party on such terms and at such price as the City, County or JPA may determine in its discretion and Related will no longer have any right to develop any subsequent Phase of the Project.

If Related has paid the Phase II Prepaid Base Ground Rent by the Phase II Adjusted Ground Rent Outside Date and then fails to start construction by the Phase II Outside Construction Start Date, then the JPA shall retain, as liquidated damages, an amount equal to the greater of (i) 15% of the Phase II Prepaid Base Ground Rent or (ii) $9 million. If Related has paid the Phase II Prepaid Base Ground Rent after the Phase II Adjusted Ground Rent Outside Date but by the Phase II FMV Outside Date and then fails to start construction by the Phase II Outside

Construction Start Date, then the JPA shall retain, as liquidated damages, an amount equal to the sum of the amounts set forth in clauses (i) and (ii) in the preceding sentence.

If Related has paid the Phase III Prepaid Base Ground Rent by the Phase III Adjusted Ground Rent Outside Date and then fails to start construction by the Phase III Outside Construction Start Date, then the JPA shall retain, as liquidated damages, an amount equal to the greater of (i) the Option Payment or (ii) $5 million. If Related has paid the Phase III Prepaid Base Ground Rent after the Phase III Adjusted Ground Rent Outside Date but by the Phase III FMV Outside Date (after paying the Option Payment) and then fails to start construction by the Phase III Outside Construction Start Date, then the JPA shall retain, as liquidated damages, an amount equal to the sum of the amounts set forth in clauses (i) and (ii) in the preceding sentence.

Upon failure to proceed with the subsequent phases of the Project, the Ground Lease for that Phase will terminate and the JPA will retain from the Prepaid Base Ground Rent the amount of liquidated damages to which it is entitled as provided above and then refund to Related the balance of the Prepaid Base Ground Rent for such Phase by the earlier of (i) 24 months after the termination of the Ground Lease or (ii) upon the closing of the sale or other transfer of such parcels of land to a third party. If the JPA fails to refund such excess Prepaid Base Ground Rent to Related within 90 days after the termination of the Ground Lease in question, then the JPA will increase the amount of such excess Prepaid Base Ground Rent to be refunded to Related by an interest factor equal to the Bank of America Reference Rate in effect during the period from the end of said 90 day period until the date such excess rent is refunded to Related. Upon any loss of development rights as to Phase III, Related will, if so directed by the JPA, convey Parcel W-1 to the JPA or a third party, at Related's original cost for such parcel.

JPA will have the right, in its sole discretion, to extend any of the foregoing dates for performance by Related, including based on general market conditions.

**INITIAL FUNDING OF PREPAID GROUND RENT**

Related will pay a deposit equal to the Base Ground Rent for Phase 1 in the amount of $50 million (the "Deposit") upon approval of the Implementation Plan and Term Sheet by the JPA, the CRA and the County without the filing of any litigation challenging the validity of such approvals, or if such litigation is filed, then upon the resolution of such litigation so that the approvals are effective ("Approval Date") (at which time this section shall be binding on both JPA and Related). Pursuant to the ENA, this Approval Date will occur within 90 days after JPA approval, unless mutually agreed to be extended by the JPA and Related (or extended by any such litigation challenging such approvals).

Upon Approval Date identified above, Related will provide a Letter of Credit in the amount of $50 million to secure this Deposit. The Letter of Credit must be an irrevocable, standby letter of credit from a money center bank acceptable to the JPA and on a form approved by the JPA. The Letter of Credit shall permit the JPA to draw the full amount of the Letter of Credit (i) upon issuance of all required approvals by the JPA, CRA and County of the DDA and Phase I Ground Lease (without litigation being filed challenging such approvals, or if such litigation is filed, then upon resolution of such litigation so that such approvals are effective) ("DDA Effective Date") unless Related has then replaced the $50 million Letter of Credit with a $50 million cash payment or (ii) prior to the lapse of such Letter of Credit without an extension thereof by the issuing bank.

In consideration for JPA's agreement to accept the Letter of Credit in lieu of a cash deposit up front, Related shall pay the JPA an interest factor on the $50 million on the Deposit on the DDA Effective Date at the rate of 3% per annum for the period from the Approval Date until the DDA Effective Date, but not to exceed a total of six (6) months.

If, based upon the actual Phase I development program, additional Phase I Prepaid Base Ground Rent in excess of the $50 million Deposit is owed, the balance is to be paid at the closing of the construction loan for Phase 1 (or on the start of construction, if earlier).

If, based upon the actual Phase I development program, the $50 million Deposit exceeds the amount of Phase I Prepaid Base Ground Rent, the balance will be credited against Phase II Prepaid Ground Rent in accordance with the provisions above. If the Scope of Development agreed to in the Implementation Plan is reduced in the final DDA, the Base Ground Rent amount for the applicable Phase will be adjusted pursuant to a pro rata calculation.

The $50 million Deposit will become non-refundable and payable to the JPA upon the DDA Effective Date, at which time the Deposit will be considered a payment of the Phase I Prepaid Base Ground Rent and JPA will be entitled to draw down the full amount of the Letter of Credit. If final CEQA compliance is not obtained, thus preventing execution of the DDA and Phase I Ground Lease, the Deposit would be refunded to Related (or Letter of Credit returned).

**GROUND LEASE TERMS**

Each Ground Lease will be a ground sublease. JPA will enter into a ground lease for each of the Development Parcels with each Owner concurrent with the execution of the Ground Lease with Related. The Ground Lease term for each Phase of the Project (Parcels Q, L, M-2 and W-2) will be 99-years, commencing on the date of the Ground Lease for each Phase. The Ground Lease for Phase III will address the relationship between the fee parcel (W-1) and the ground leased parcel (W-2). The Ground Leases will be unsubordinated to any party and the fee interest of the Owners shall not be subjected to the lien of any lender financing all or any part of the development of the Development Parcels or the Park Site. The Property Transfers shall be made on an "AS IS WHERE IS AND WITH ALL FAULTS" basis. Unless otherwise approved by the JPA, Related shall construct improvements on the Property to the maximum entitlement envelope allowable by law. The general requirements of the CRA set forth on Exhibit E to the ENA shall be applicable to the development, construction and operation of the Project on the Project Site.

**PUBLICLY FUNDED IMPROVEMENTS**

**Affordable Housing Incentives**

Affordable housing incentives described herein are funded by tax increment financing (TIF) through the affordable housing programs of the CRA.

**The Civic Park**

Improvements to the Civic Park are to be funded from Ground Rent, TIF and other sources of public funds (other than the general fund of the City or County) that may be available, pursuant to a design, scope of work and budget approved by the JPA. Related will work with the JPA and the Governing Entities to obtain financing for the redevelopment of the Park Site and for construction of off-site and on-site project infrastructure through funding mechanisms approved by the Governing Entities, including state and federal funding or other funding mechanisms. Related will undertake to develop the improvements in the Civic Park on behalf of the JPA without a fee or profit payment, but subject to being reimbursed for its actual incremental costs of doing such development (including allocated jobsite payroll and jobsite overhead costs directly allocable to the development of the Civic Park and any third party out of pocket costs directly allocable to such Civic Park development). Other than the payment of Prepaid Base Ground Rent, Related is not obligated to pay for the Civic Park improvements.

**Streetscape Improvements**

Streetscape improvements on Grand Avenue between 5th St. and Cesar Chavez Avenue are to be funded from Ground Rent, TIF and/or other sources of public funds (other than the general fund of the City or County) that may be available, pursuant to a design, scope of work and budget approved by the JPA. Other than the payment of the Prepaid Base Ground Rent, Related is not obligated to pay for the Grand Avenue Streetscape Improvements. In addition to the foregoing public funding for Grand Avenue Streetscape improvements, Related will be responsible for providing at its cost for the streetscape improvements on the other streets adjacent to the Development Parcels at a standard equivalent to other first class properties in the Bunker Hill area (including the sidewalks, streetlights, curbs, gutters and street trees)

**Public Space Improvements**

$12 million of Public Space Improvements within the Development Parcels will be funded from TIF; any portion of such $12 million not used in Phase 1 will be available for future phases developed by Related.

**PARKING FACILITIES**

**Parking Garage Financing**

Related will provide all required parking facilities for the residential and hotel components of the Project at its own cost without any public assistance.

Public parking facilities for the retail component in Phase I of the Project (up to a total of 1,000 spaces) ("Retail Parking") may be financed using revenue bonds separate from, or in conjunction with TIF funds. Further, if financially feasible and acceptable to public agencies, Related may pursue private financing and management of the Retail Parking, so long as no credit from the City, CRA or County will be used. TIF funds will be allocated to the Retail Parking only to the extent of available funds remaining after TIF funds are allocated to pay for the Civic Park, the Grand Avenue Streetscape Improvements and the Public Space Improvements on the Development Parcels.

The availability of any revenue bonds or TIF funds for the Retail Parking facility will be conditioned upon approval by the JPA of the parking rate structure for the Retail Parking.

JPA will use its best efforts to assist Related in obtaining such public revenue bonds for the Retail Parking facility if requested by Related. Related acknowledges that any public financing of the Retail Parking facility will require a guaranty of the debt service on the revenue bonds by an entity provided by Related which has a credit rating of A or better by at least two of the national credit rating agencies.

The terms and conditions set forth in this document are not subject to any change or further negotiation based on the final amount of TIF funds or public financing available for the Retail Parking. JPA and Related acknowledge that the Approval Date will occur only after the parties have resolved the approximate amount of TIF funds or other form of public assistance that will be provided for the construction of the Retail Parking.

**DUE DILIGENCE; FEASIBILITY**

Related has been given access to the Development Parcels and has completed its due diligence as contemplated by Section 3.5 of the ENA. Related will continue to have access to the Development Parcels in accordance with Section 3.5 of the ENA following the execution of this Term Sheet. Related has determined that the Project is financially feasible and that it has sources of the required equity capital and financing sufficient to fund the costs of the Prepaid Base Ground Rents and the development of each Phase of the Project. Related has performed its own environmental review of the Development Parcels and has determined that the environmental condition of the Parcels is satisfactory to Related. Related will be responsible for any environmental clean up of the Development Parcels. The DDA will address the consequences of any unknown adverse environmental conditions on the Development Parcels.

**COMPLETION OF CEQA DOCUMENTS**

JPA will act as the lead agency under CEQA and shall direct the environmental analysis. JPA shall retain an environmental impact analysis consultant, at Related's cost and shall cause such consultant to prepare the CEQA Documents, as required by law, for the JPA's review, oversight and approval. Section 5.3 of the ENA ("Indemnity") is incorporated herein and shall continue in full force and effect.

| | |
|---|---|
| **EFFECTIVENESS OF TERM SHEET; INCORPORATION OF ENA PROVISIONS** | Pursuant to Section 11.7 of the ENA, this Term Sheet will be considered for approval by the JPA after all required public hearings and compliance with all applicable laws. This Term Sheet will become effective only after approval hereof by the Governing Bodies of the Governing Entities, after notice and any required public hearings. Following approval hereof by the Governing Entities, the JPA will countersign this Term Sheet and it will then become effective and supersede the ENA; provided that the following Sections of the ENA are incorporated herein and remain in effect following the effective date of this Term Sheet: 2.1 (Definition of Project); 2.2 (Goals of Authority); 3.5 (Due Diligence), 3.6 (Committee Appointed as Authority's Real Property Negotiator); 3.7 (Developer's Key Personnel); 4.2 (Conceptual Development Plan); 4.5 (Implementation Plan Approval Process); 5.1 (Costs and Responsibility for the Project); 5.2 (CEQA Documentation); 5.3 (Indemnity); 5.4 (Leases), 7 (Developer's Representations, Warranties and Covenants), 8 (Developer's Responsibilities as Project Developer), 9 (Products, Reports, Studies and Investigations), 10 (The Developer), 11.1 (Confidentiality), 11.2 (Financial Interest Disclosure); 11.4. (Real Estate Commissions); 11.6 (Nonliability of Authority Officials and Employees); 11.9 (Covenant Against Discrimination); 11.10 (Notices/Submittals); 11.11 (Assignments); 11.12 (No Third Party Beneficiary); 11.13 (Governing Law/Exclusive Venue) and 11.14 (Counterparts). |

The undersigned hereby approves and confirms the foregoing terms and conditions, which will be incorporated into the Term Sheet required by the Implementation Plan and into the definitive documents to be entered into between the parties, subject to final approval by the JPA, City and County

THE RELATED COMPANIES, L.P.
a New York Limited Partnership

By: ______________________________

Stephen M. Ross
Chairman and Chief Executive Officer

The foregoing Term Sheet is hereby approved and is effective this ______ day of _________, _____

LOS ANGELES GRAND AVENUE AUTHORITY
A joint powers authority

By: ________________________

Its: ________________________

Attachment III

# THE NEW GRAND AVENUE PLAN

## ECONOMIC & REVENUE IMPACTS

**Prepared By:**
**Los Angeles Economic Development Corporation**

**May 20, 2005**

# THE NEW GRAND AVENUE PLAN
## Executive Summary

Downtown Los Angeles is reinventing itself. Several major venues have been built in recent years, and more are in the works, all designed to attract visitors to the area. Downtown is also in the midst of a housing renaissance. Residents and visitors alike will walk the streets, visit the new shops and entertainment spots, and dine at the new restaurants in the "new Downtown."

The Los Angeles Grand Avenue Authority has embarked on an ambitious plan to transform upper Grand Avenue and to revitalize the city's Civic Center area. The Authority was established by a joint powers agreement between the City's Community Redevelopment Agency and Los Angeles County. The new Grand Avenue plan contains three elements. The first consists of changes and improvements to Grand Avenue itself, designed to attract more pedestrian traffic. The second element involves the creation of a large public park in the Civic Center area, stretching from the LADWP building to City Hall. The third element is the construction of several new residential and commercial structures on the last undeveloped parcels in the Bunker Hill Redevelopment Area.

The Grand Avenue Authority selected The Related Companies to prepare a development plan for the third element. Related proposes to develop the area primarily as residential, together with a hotel, retail, restaurants, entertainment and parking. As currently planned, construction work will proceed in three phases. Phase One includes the Civic Center park, about one-half of the streetscape improvements, and construction of two structures on parcel Q at the southeast corner of Grand Avenue and 1st Street. Tenants will include the hotel, some retail and restaurants, and more than 400 residential units. Phase Two includes about half of the remaining streetscape work, more than 750 residential units, and some retail/entertainment on parcels L and M just south of Disney Concert Hall. Phase Three will see the rest of the streetscape improvements and construction of several primarily residential structures on parcel W, which lies just east of parcel Q.

This report, prepared by the LAEDC's consulting unit, estimates the economic and fiscal impacts associated with Related's plan. The economic impact is based on the projected increase in economic activity inside the plan area. The fiscal or revenue impact consists of the tax revenues derived from this activity, which will be received by the federal, state and various local governments. There also will be large, one-time economic and government revenue impacts from the construction phase. The impacts are described below.

## ANNUAL ECONOMIC AND REVENUE IMPACTS

The LAEDC conducted a careful analysis of Related's proposed Grand Avenue plan. Several types of economic activity will occur in the new buildings that will generate economic impacts year after year. (1) The hotel and other business tenants in the new plan area buildings will hire employees and order supplies from vendors as they produce and sell their wares. (2) Residents living in the new buildings will spend their incomes on consumer goods and services. (3) Employees—including those working in the plan area as well as those working for vendors—will spend their earnings on consumer goods and services.

The LAEDC's estimates of the ongoing annual economic and government revenue impacts associated with Related's plan are displayed in Table A below.

| **Table A**<br>**Ongoing Annual Economic Impact** | |
|---|---|
| Direct Rents and Revenues | $222,000,000 |
| Direct and Indirect Business Revenues | $566,000,000 |
| Direct and Indirect Jobs | 5,300 |
| Direct and Indirect Workers' Earnings (Pre-Tax) | $152,000,000 |
| **Ongoing Annual Incremental Government Revenue*** | |
| Level of Government | |
| -- Federal | $67,000,000 |
| -- State (General Fund) | $20,100,000 |
| -- County** | $2,300,000 |
| -- Local (Cities)*** | $5,800,000 |
| -- Total Tax Revenues | **$95,200,000** |

*Details may not add to total due to rounding.
**LA County includes Metropolitan Transportation Authority share of sales tax.
***City of Los Angeles accounts for at least 95% of "Local (Cities)" amount.

Annual Economic Impact: Businesses located in the plan area are expected to receive $222 million *directly* in annual rents and revenues, including retail and restaurant sales, hotel receipts, residential and commercial space rents, and various fees charged by the buildings' property managers.

However, the direct economic impact downtown is not the whole story. Because many of the employees and the business vendors will be located elsewhere in the Los Angeles region, the proposed plan will generate indirect impacts that will be felt throughout Los Angeles County. The LAEDC estimates that Related's vision for the Grand Avenue plan area will generate *indirect* business revenue impacts of about $344 million. Thus, *total* business revenues in L.A. County associated *directly and indirectly* with the economic activities of the residential and commercial tenants of the Grand Avenue plan area will be about $566 million. An estimated 5,300 employees will work for the firms that realize these revenues, earning about $152 million in pre-tax wages and salaries.

Annual Revenue Impact: The federal government will receive substantial tax revenues each year because of all this economic activity. The direct and indirect employees will pay almost $43 million in personal income taxes, with about 80% going to the federal government and the rest to California. In addition, the Social Security and Medicare trust funds will receive an extra $32 million annually. California and local governments will divide almost $16 million in incremental sales tax revenues. The hotel and the new Grand Avenue merchants will collect some of the sales taxes, while the rest will be generated through purchases of taxable goods by residents and employees. In addition to sales tax revenues, the City of Los Angeles will collect about $4.4 million in business, utility, hotel, and parking taxes.

Phase One Annual Impact. The Grand Avenue Authority asked the LAEDC to estimate the economic and fiscal impacts associated with Phase One of The Related Companies proposal. These impacts are substantial. Phase One business tenants will take in about $121 million in direct rents and revenues. The total economic and revenue impacts include the following:

- About 2,500 new permanent (direct and indirect) jobs;
- $72 million in annual wages and salaries; and
- $264 million in total (direct and indirect) business revenues.

Phase One economic activity will generate $45.4 million per year in taxes, including:

- $30 million in federal income and FICA tax revenues;
- $10 million in California income and sales taxes;
- $1.2 million in sales and use tax revenues for Los Angeles County (including the MTA); and
- $4.3 million in sales taxes, business taxes, hotel, utility and parking taxes, to be split among various cities in L.A. County, mostly the City of Los Angeles.

## ONE-TIME IMPACTS FROM CONSTRUCTION

In addition to the recurring annual impacts described above, significant, one-time-only economic and revenue impacts will be associated with Grand Avenue plan construction. These will arise from the creation of numerous construction jobs and from taxable purchases made by both the contractors (for building materials, supplies and equipment) and their employees (for consumer goods and services).

Construction—All Three Phases. The new Grand Avenue plan envisages a number of construction projects, whose total cost will be about $1.8 billion. The economic and revenues impacts associated with a huge plan are also big:

- 25,000 annual FTE (full-time-equivalent) jobs;
- Over $1 billion in wages and salaries; and
- $3.7 billion in total (direct and indirect) business revenues.

Grand Avenue construction will generate a total of $616 million in taxes, including:

- $477 million in federal income and FICA taxes;
- $114 million in California personal income and sales taxes;
- $10 million in sales and use taxes for Los Angeles County (including the MTA); and
- $15 million in sales and use taxes, business taxes, construction permits and fees to be split among cities in L.A. County (mostly Los Angeles).

Construction—Phase One Only. The one-time construction impacts for Phase One are smaller than those itemized above but still substantial:

- 8.300 new jobs;
- Approximately $330 million in annual wages and salaries; and
- $1.2 billion in total (direct and indirect) business revenues.

Phase One construction will generate a total of $202.5 million in taxes, including:

- $157 million in federal income and FICA tax revenues;
- $38 million in California personal income and sales tax revenues;
- More than $3 million in sales and use tax revenues for L.A. County (including the MTA); and
- About $5 million in sales taxes, business taxes, and construction permits and fees, to be shared among cities in L.A. County (mostly Los Angeles).